

Message Text

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ACTION OPIC-06

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FM AMEMBASSY DACCA

TO SECSTATE WASHDC 6402

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E.O. 11652: N/A

TAGS : EINV, BG

SUBJECT : POLITICAL RISK CONVERTIBILITY INSURANCE (OI
C)

REF: STATE A-2134, MARCH 27, 1975

1. WE DO NOT KNOW OF ANY FOREIGN FIRM THAT HAS BEEN DENIED CONVERSION RIGHTS BY THE BDG. THERE ARE NOT VERY MANY FOREIGN FIRMS OPERATING IN BANGLADESH, INCLUDING FOREIGN AIRLINES AND SHIPPING COMPANIES. SEVERAL OF THESE HAVE NOT YET SOUGHT TO REMIT PROFITS, EITHER BECAUSE THEY DID NOT MAKE A PROFIT (E.G. SQUIBB IN 1973) OR ARE DELIBERATELY HOLDING OFF FOR POLICY REASONS (E.G. BRITISH AMERICAN TOBACCO). PERHAPS A DOZEN FIRMS HAVE SOUGHT TO REMIT PROFITS SINCE INDEPENDENCE. THERE IS, THUS, ONLY A LIMITED RECORD ON WHICH TO BASE A JUDGMENT.

2. FURTHERMORE, IT TAKES TIME IN BANGLADESH TO AUDIT A FIRM'S BOOKS, AND REACH AGREEMENT ON THE AMOUNT OF AFTER-TAX PROFIT EARNED. IN THE LIMITED EXPERIENCE OF THE FIRMS WE HAVE CONSULTED, THIS CAN TAKE OVER A YEAR (BUT WE EXPECT THIS PROCESS TO BE SPEEDED UP AS THE NEWLY-INDEPENDENT GOVERNMENT GAINS EXPERTISE). ONCE THE AMOUNT OF PROFIT IS ESTABLISHED AND THE FOREIGN COMPANY SEEKS TO MAKE A REMITTANCE, THE PROCESS DOES NOT GENERALLY TAKE VERY LONG.

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3. HOWEVER, DELAYS IN REMITTANCES BEYOND 30 DAYS OCCURED IN EVERY CASE WE KNOW OF, INCLUDING THREE US FIRMS. THE DELAYS ARE ATTRIBUTABLE TO THE CONTINUING SHORTAGE OF FOREIGN EXCHANGE.

4. THE BDG HAS CAREFULLY MET ITS INTERNATIONAL FINANCIAL OBLIGATIONS INCLUDING REMITTANCES BY FOREIGN FIRMS BUT THE BDG HAS IN PART SOUGHT TO DELAY AND SPREAD OUT REMITTANCES THUS LESSENING IMMEDIATE IMPACT ON SCARCE FOREIGN EXCHANGE. WE CONSIDER IT UNLIKELY THAT THE BDG WILL GRANT CONVERSION RIGHTS ON REGULAR BASIS IN 30 DAYS OR LESS. BUT WE HAVE NO REPEAT NO REASON TO BELIEVE THAT THE BDG WILL DENY CONVERSION RIGHTS OR DELAY THEM WITH OTHER THAN AN HONEST EXPLANATION OF BANGLADESH'S FOREIGN EXCHANGE DIFFICULTIES.

5. WE ARE POUCHING TO OPIC/ID/NEA COPIES OF TWO RELEVANT MEMOS.

6. REF AIRGRAM RECEIVED APRIL 9. WE WILL SEEK BETTER INFORMATION ON THE ACTUAL TIME PERIODS ELAPSED BETWEEN FIRMS' APPLICATIONS TO THE BDG AND THE ACTUAL REMITTANCE OF PROFITS.
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